Operator:

Good morning. Welcome everyone to TOTVS' 4Q13 results conference call. Today with us we have Mr. Laércio Consentino, CEO of the Company, Mr. Alexandre Mafra Guimarães, CFO, and Mr. Gilsomar Maia, IRO and Corporate Finance Officer.

We would like to inform you that all participants will be in a listen-only mode during the Company's presentation. After TOTVS' remarks, there will be a question and answer session for investors and analysts, when further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Today's live webcast may be accessed through TOTVS' website at www.totvs.com/ir.

Before proceeding, we would like to mention that during this conference call, forward-looking statements may be made relating to TOTVS' business prospects, operational and financial estimates and goals, based on the beliefs and assumptions of TOTVS' management and on information currently available. Forward-looking statements do not guarantee performance. They involve risks, uncertainties, and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions, and other operational factors could also affect TOTVS' future results and could cause these results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Laércio Consentino, who will begin the presentation. Mr. Consentino, you may begin your conference.

Laércio Consentino:

Good morning, everyone. Thank you for participating in this conference and giving us the opportunity to discuss TOTVS's 4Q and 2013. I would like to start by sharing our understanding of 2013, a year in which our convictions on the adequacy of our strategy were put to test, a year that began with good economic prospects. Although, as the months passed, inflation proved to be resilient and the projected GDP was constantly revised downwards by the market, even with the high credit availability and the low level of unemployment indicators. This combination of factors resulted in a general increase of labor cost, in real terms, without productivity gains. As a consequence, the businesses profitability and the confidence of the Brazilian businessmen fell, making them adopt a more conservative approach regarding new investments.

In this context, we decided to maintain the planned investments for the year, even facing a more complex short-term macro scenario. When I say investments, I mean projects connected to the Company's future. We put focus on investments, organic and inorganic, that comprise human capital and ensure the enhancement of products and services offered by TOTVS.

And talking about human capital, I would like to introduce Alexandre Mafra, our Vice-President of Human Relations and Organizational Infrastructure that assumed the CFO role in the first week of 2014. The choice of Mafra for this position was based on our succession plan, which takes into account mainly his professional experience with the business and his alignment with the DNA of TOTVS.

Mafra, please share with our investors a bit of your background, that is summarized on slide two.

Alexandre Mafra:

Thanks, Laércio. Good morning everyone. My professional career has always had more emphasis in finance. During 12 years at AmBev, I acted at the Central management as Finance Manager, General Factory Manager, National Financial Services Manager, and Planning and Performance Management Officer.

I joined TOTVS in March 2007 as Planning Officer, being responsible for the Company's financial planning. After two years, I took the financial and administrative office, when the Shared Services Center was implemented, unifying all Company's administrative areas, such as billing, accounting, and treasury, all areas which continued under my management as Vice-President of Human Relations and Organizational Infrastructure.

These administrative areas are still under my responsibility, and by accumulating also the Executive Financial Vice-Presidency, I will be able to unify and optimize all administrative and financial structures.

Now, I turn the call to Maia to proceed with his comments about the quarter and the full year results on slide three.

Gilsomar Maia:

Thanks, Mafra. Good morning, everyone. Beginning with the total net revenue, the 14% growth in 2013, as well as the 19% in the quarter, outperformed the 5-year CAGR, highlighting maintenance and services lines, which together represented more than 78% of total revenue.

In Maintenance fee, we grew 17% in 2013 and 23% in the 4Q, year on year, surpassing the 5-year CAGR of this line, which is our main recurring revenue and already accounts for almost 49% of total revenue. These results reiterate the resilience of our business model. Service revenues grew 16% in 2013. In the 1H, this line grew 12%, showing the speed up of services execution in the 2H, as shown by the 23% growth in the 4Q. This performance in the 2H resulted from the actions taken in the 2Q to recover the services efficiency.

Moving to license revenue, the 6% growth in 2013 was driven by sales to existing clients, which rose 12% year on year. In the 4Q, the highlight was the 14% growth in sales to new clients, with the addition of 970 new clients. Part of this performance was due to the marketing campaigns to sales of new projects, based on specific templates for each industry. These templates are pre-configured solutions with a specific scope, shortening the implementation cycle, reducing the solution cost, and improving the implementation teams' efficiency. This sort of experience reinforces our beliefs in the specialization strategy effectiveness to enhance the solution usage by existing clients, as well as increasing the solution attractiveness to new clients.

Our sales pipeline has taken longer to convert into new sales, nonetheless it is consistent, with good opportunities especially in the service-oriented sectors, which have been gaining relevance in our total revenue. Strategic marketing actions are also being taken within each industry sector, aiming to reduce the amount of time needed to close the deals, shortening the sales cycle. This sector dynamics and its impacts on revenue growth became clearer with the revenue breakdown by the most representative industries, shown on slide four.

On the left, we have the representativeness of each sector towards the revenue and, on the right, the revenue growth of these industry sectors. Notice that Manufacturing and Financial Services together accounted for 40% of total revenue, having their share lowered by 4.8 p.p.

between 2011 and 2013. On the other hand, Distribution and Logistics, Retail and Services, gained 5.5 p.p. of share in the same period.

It is worth mentioning that the manufacturing industry is a traditional investor in IT that contributes relevantly to our recurring revenue and plays an important role in our approach as value chain integrators for the Distribution and Logistics, Retail and Credit, which are industries with high growth prospects.

Financial Services is another traditional IT investor, with significant contribution to the recurring revenue. The loss of share presented by this sector is mainly a consequence of the consolidation process of the Brazilian financial institutions and the moment of the Brazilian capital market, reducing demand for solutions by the asset managements.

This behavior diversity illustrates the different levels of maturity of the industry sectors in terms of IT adoption, as well as the dynamics of the Brazilian economy in recent years, which is getting more service-oriented. Among these industries, we highlight the demand for our solutions to carriers, distributors, and cash-and-carries that have leveraged their participation in the distribution and logistics industry. These solutions place us in a unique position in the chain that integrates manufacturers, distributors, and retailers. By the way, retail has been a great industry with demand, especially for new solutions of point of sales and credit analysis that integrated a unique solution for this industry.

We believe that investments in our solutions and in the expertise of sales and service teams, through organic and inorganic actions, are key to focusing on industry sectors with higher demand, making TOTVS an effective vehicle to capture the growth across the industries in different moments of the economy. In addition to this, TOTVS business model has also resilience as a characteristic. Since its origins, the model emphasizes the recurrence, in detriment of short-term revenues, also a profile of the operations acquired by TOTVS. In summary, TOTVS' model applies the concept of software as a service, regarding revenues, even before the SaaS definition became popular.

This is more evident when we analyze the pace of sales to existing clients and recurring revenue. Since the SMB is the main focus of TOTVS, as these companies grow, they buy more and generate more recurring revenue.

On slide five, the total recurring revenue growth, in both the last three years and in the 4Q, shows the pace, which was 12% between 2011 and 2012, and 14% between 2012 and 2013. It is also worth mentioning the year-on-year growth of nearly 18% in the 4Q, without considering the results of August and September of RMS, that were consolidated in the 4Q, and the non-recurring effect of about R$9 million from maintenance contracts settled this quarter. This growth shows that the recurrence of TOTVS business model has responded positively to the work performed.

Now, I turn the presentation back to Mafra, so he can comment on the acquisitions made by TOTVS in 2013, presented on slide six.

Alexandre Mafra:

In the 4Q, we acquired two companies: Seventeen, a development franchise focused on the development of TOTVS management solutions, especially those for large health insurance providers in Brazil. This transaction reinforces our expertise in the development and services for this very specialized industry sector.

The acquisition of Ciashop, which develops an e-commerce platform in the cloud, having more than 1,000 online stores among its clients. It is important to highlight that its business model has more than 80% of recurring revenue. This investment allows TOTVS to enter in the cloud e-commerce platform business, complementing the fluid offering and enhancing the support by industry sector of its clients, which have or intend to have an e-commerce business.

Looking back on the M&A operations in 2013, we began this new M&A cycle by acquiring PC Sistemas in January, in the Distribution, Wholesale, and Retail segments; in April PRX, in the Agribusiness segment; in August RMS, in the Retail segment, focused on supermarkets. All of these acquisitions fit with our industry specialization strategy, bringing specific know-how to our solutions and to our sales team, with opportunities to capture synergies, especially through cross selling. Right after the acquisition, the acquired companies start to benefit from revenue synergies of new sales leads, from the business ecosystem and from the TOTVS branding.

In a second stage, the sales synergy is captured as the solutions are integrated into our portfolio and distribution channels. On average, these companies grew 16% in 2013, above their average prior to the acquisition.

To conclude my comments on M&A, I see TOTVS' strategy strongly connected with the economy dynamics, focused on investing mainly in segments with higher growth prospects in the coming years.

Now, let us talk about the international market operations on slide seven. Since 2011, these operations have been speeding up its revenue growth and reducing its negative EBITDA, both in Brazilian Reais and USD. At the end of 2013, revenues from these operations represented 1.7% of TOTVS' consolidated revenues.

This is the outcome of the action plan that has been implemented since the beginning of 2012, which aims to grow these operations to a range of 3% to 5% of the consolidated net revenue by 2016. However, this growth shall be sustainable, gradually reducing losses to achieve EBITDA breakeven by the end of 2014.

Now, moving to EBITDA, on slide eight. We ended the year with more than R$400 million of EBITDA, and the 4Q with more than R$100 million, which represent an increase of 6.4% in the year and 7.5% in the quarter. This growth, lower than the net revenue growth, led to an EBITDA margin decrease of 1.8 p.p. in the year and 2.5 p.p. in the 4Q.

In order to comment a little bit more on margins, I ask you to go to slide nine, where we have the breakdown of costs of our solutions, sales, and G&A, as a percentage of our net revenue. In this slide, we can see that the cost of solutions, which includes the costs of license fees, services, and R&D were those that presented the highest growth. This group is crucial for the Company's perpetuity, since it includes the labor costs of those who have the knowledge of our solutions and services.

In addition, it challenges us all the time to pursuit a good cost balance, considering people training, medium and long-term performance, and top line growth. Thus, as mentioned by Laércio in the beginning of this conference, we decided to keep an appropriate cost balance to maintain the investments for the year, even with the top line below our expectations.

We chose not to stop investing in projects related to Company's future, mainly those related to our technology platform innovation and the ones related to the industry specialization process, which are more mature in the solutions development side.

It is important to emphasize our confidence about the return on investments in the medium and long term. We will not lose focus on the cost discipline in this group. I do not mean just R&D here, but also cost of services, which has evolved in the 2H13.

In short, the focus of this group is to increase efficiency in services and dilute R&D investments, considering top line growth. In the group of costs related to sales, we also had significant investments in the year, especially in advertising and sales. Investments in advertising were enhanced in 2013 to support marketing campaigns per industry sector. Despite this increase, advertising expenses were in line with historical levels, as a percentage of net revenue. Regarding selling expenses, investments are also mainly related to industry specialization, both in training the sales team and the back office structure.

Now, on the G&A and management fees group, we will keep our efforts aiming to increase administrative efficiency in managing the day-by-day operations and also in the M&A integration. The merger of the Vice-Presidencies of Finance, HR, and Infrastructure itself, which are now under my management, is an example of this effort to have an optimized administrative structure that supports the Company's growth. In summary, without putting TOTVS future at risk, we will seek efficiency in all areas, either by increasing revenues or by the alignment of the cost structure.

Now, Maia will proceed the presentation from slide ten.

Gilsomar Maia:

Starting with the net income of the 4Q, it is important to keep in mind the positive impact from interest on equity, that in 2012 were fully declared in the 4Q and in 2013 it was declared partially in the 3Q and in the 4Q, diluting its effect during 2013.

This chart shows that if we had declared 100% of the interest on equity in the 4Q, as we did in the previous year, the 4Q net income would have grown 1.8% year on year. In the year, the 7.7% net income growth surpassed the EBITDA's growth, mainly due to the reduction of financial expenses from a higher average net cash position in 2013.

In slide 11, we have the evolution of the cash flow for the year. We started 2013 with a net cash position of almost R$170 million, with R$420 million in cash and R$242 million of gross debt. The operating cash flow of R$282 million accounted for about 70% of the EBITDA and 127% of the net income. The R$189 million invested in M&A and Ventures operations are mainly comprised by the payment of PC Sistemas, PRX, RMS, Seventeen, uMov.me, GooData, and Zero Paper operations.

The positive amount of R$194 million in the net loans is formed by the inflow of R$250 million from the R$658 million financing line approved by the BNDES in October, and the payment of R$70 million of previous financing lines.

By the end of 2013, the cash position amounted R$533 million, and the gross debt amounted R$407 million, totaling a net cash position of R$126 million. So, we enter in 2014 with a cash position that gives us the financial capacity to execute both our organic and inorganic investment plans. This capacity already includes the dividend proposal of R$0.96 per share, presented on slide 12.

This proposal will be submitted to the General Shareholders Meeting, to be held on March 14th, representing a 31% raise in the dividend per share when compared to 2012, totaling R$ 155 million. Excluding the Interest on equity declared on 2013, this proposal represents an additional dividend payment of R$116 million, corresponding to R$0.71 dividend per share.

Now I would like to invite back Laércio for his final remarks on slide 14.

Laércio Consentino:

By the beginning of this conference, when I said that our convictions were put to test on 2013, I meant the convictions that TOTVS is a pioneer and innovative company, that grows and invests in order to grow even more and to have its clients, employees, partners, and investors happy.

2013 was a year that we invested in the fundamentals to create a new cycle of sustainable growth for TOTVS, besides not having the expected top line, and consequently an EBITDA margin below our guidance, even though we closed 2013 with 14% of revenue growth, 6% of EBITDA growth, and a 7% of net income growth, with a consistent cash generation.

TOTVS reason for existence is making our clients more competitive in their industry sectors. We believe in costs and expenses management based on austerity and responsibility, without compromising the Company's future.

We start 2014 pursuing margin recovery, emphasizing the discipline on costs and expenses and on the top line growth, based on offerings by industry sector, assuring that we are even more essential to our clients' day-by-day operations.

This is a very important moment for us, as our teams have been delivering important structural projects and moved forward in the implementation of the three TOTVS' concepts of: Fluid Technology, Essentiality, and Agile ERP in our products and services, as well as in the training of our teams, the enhancement of our distribution, and in the loyalty of our clients.

2014 begins with a team that is both ready and aware of the five-priority guidelines of our strategic plan for 2014 to 2020, which are: Simpler – in our processes and structures; More agile – reducing the development and implementations cycles, being more efficient and productive; More connected – connecting our clients and users by any available devices; More cloud – Promoting integrated platforms and management solutions in the cloud; More essential – to the core business of our clients.

To stamp this moment that is so important for TOTVS' future, we decided to evolve our logo, so everyone will remember the day that we started to be a company that is simpler, more agile, more connected, more cloud, and more essential. This logo which represents, through the light that shines from the interaction of two screens, the ideal positioning for people, enterprises, or devices that want to be connected and become more essential.

Thank you. From now on we are available to the Q&A session.

Andrew Campbell, Credit Suisse:

Thank you for taking my question. I just wanted to go back to the very strong service revenue growth that you had in the quarter. Because normally there is a kind of correlation with the license sales growth, because services revenues comes so much from implementation, and the growth was so much stronger, obviously, than the license sales growth. So, I was wondering if we could just go back to what the dynamic is that is driving that, and if you think this is trend that we may continue to see going forward.

Gilsomar Maia:

Thank you, Andrew. Regarding services growth, it is important to understand that this growth is also related to our dynamic in terms of industry sectors. Every time we go deeper in terms of specialization by industry sector, we create more opportunities into our customers to provide more services.

So, we become not only a software company, but we can provide intelligence with our solutions and really adapt even more our solution to the specific necessities of our customers, not creating different a solution, but more a matter of setting up the solutions on the field in order to address those specific necessities.

You are correct, the correlation is not so perfect as it used to be in the past, when we compare to the license performance, but the license performance in this sense is more related to that sector dynamic and some flexibility that, in terms of commercial approach, we have when we negotiate the license. We try to preserve as much as we can the recurrence revenue, in this case, services play an important role to address those specific necessities, and we become more flexible on the license side.

Your question is if it is a trend. This kind of behavior can be observed in the last two or three years at least. I would say that throughout the years, not in the short term, but in a gradual movement, we probably will see license fee losing relevance in our revenue breakdown, and again, I want to emphasize that it is really a gradual movement. We are really much more concerned about number of clients and transactions we are doing than the only financial amount of our license revenues.

Andrew Campbell:

OK. Thank you. So, just to clarify this, if you have a customer that moves to a more cloud-based service, and they switch to basically a different billing model at that point, is this where we would see the revenues come through on the services line?

Gilsomar Maia:

Look, we have some really few cloud solutions being offered, and throughout time it can affect this model. But in the short term it is more a commercial approach, because we try to reduce the initial cost of our projects. In the 4Q we launched one specific advertisement campaign regarding those shorter projects in which we challenge ourselves to have the implementation done into ninety days, it helped us to add those 970 new customers.

All the time, we understand that the last mile related to the relationship with the customer in the implementation plays an important role, and considering those long-term trends, including cloud computing, are in the same line, so reducing the relevance of this kind of one-off revenues and strengthening the importance of services in the recurrence revenues.

Andrew Campbell:

OK, great. Thank you.

Michel Morin, Morgan Stanley:

Thank you. Just a follow-up, Maia, on Andy's question: can we expect, therefore, that your services revenues will continue to drive maintenance revenues?

Gilsomar Maia:

Michel, we understand that independently if the model is more based in license or not, the number of transactions will be an important indicator. Services, in terms of new customers, they are part of a sequencing, which starts from the license sale and the second stage is implementation, the third is the maintenance. That is the classical model we keep in mind.

In terms of existing customers, it is pretty common sometimes to have the opposite, customers demanding more specialized or complementary implementation of specific services to the system, and that helps the customer to enhance the usage of the system and, consequently, this brings more license sales in the future.

Having this kind of performance we had during the year of 2013 and the previous years, it reflects on this kind of performance of sales. But being more objective to your question, I see independently in the future, in the medium to long-term future, if we are more based on a completely SaaS model, services will always be an important component and be very correlated to recurring revenue, yes.

Michel Morin:

OK. Great, that is very helpful. Secondly, regarding your EBITDA margin guidance, I think, to paraphrase, you had said a few years ago that you expected to be between 27% and 30%, and I think you had given a timeframe of 2013 to 2016 or something like that. If you could just clarify that.

And then, related to this, when you gave that guidance a few years ago, this was before Brasil Maior, which has probably added close to 200 b.p. to your margin. So, your margins are now at multiyear lows, if you were to adjust for Brasil Maior. I just want to make sure I understand what has changed, why has the trend actually gone in reverse? If it is just the top line, that is fine, but I am wondering if there is something else more fundamental that has changed. Thank you.

Gilsomar Maia:

You are right. The guidance was disclosed, if I am not wrong, in the beginning of 2009. It was regarding the period comprising 2013 and 2016, this range of 27% to 30% of EBITDA margin, and unfortunately in 2013 we were below the low level of this range of 27%.

In terms of cost side, starting from your point related to Brasil Maior, Brasil Maior was a change that the Government made in terms of taxation, so instead of charging or taxing my payroll, the Government decided to really charge the tax over my sales.

In the beginning it created some positive net effect that throughout time started to be absorbed, especially among some negotiations with salaries and wage decrease, and other costs and structures. All the market started to try to capture this kind of thing. The stakeholders around, players, started to realize this effect of Brasil Maior and it became part of our cost structure.

So, your colleague Diego was trying to exercise what was the impact of Brasil Maior, nowadays it is really hard to calculate that because it has already been incorporated in our cost structure and it was the same for our competitors. It is one rule applicable for all the players in our industry, along with almost 70 sectors in the Brazilian economy.

The reason for TOTVS to be out of this range in our guidance, in our view, is more related to two things: the first one is the top line being lower than we planned for this period. I think it was not only one thing that we saw in TOTVS, so lots of other companies and analysts were expecting a better scenario for Brazil for this time, but on the other hand we decided not to stop important projects related to the future, and as of this moment they reflect into a more possible structure for us.

We understand that every time we decide to make decisions like that to become more specialists in some sectors, it reflects firstly on the cost side, and of course we want to see the payback of those investments in our top line, but we have to understand and manage these different behaviors of revenues and costs in 2014. We have to be even more disciplined in terms of cost structures to extract these kinds of results from the top line.

Michel Morin:

From your release you are stating that you are maintaining your guidance, basically. So, for 2014 your expectation is that your margin would be at least 27%, if I read your release properly.

Gilsomar Maia:

Yes, you have read, and we are pursuing at least the bottom of the range of this guidance.

Michel Morin:

OK, great. Thank you.

Richard Dineen, HSBC:

Thanks very much for taking the question. Again, on the cloud, I am just thinking how investment and your in-house development platforms like Fluig, and acquisitions, as well as maybe into this more of an on-demand revenue model, how that might affect your margins in the medium and long term?

I guess I was thinking we saw SAP lowering their medium-term margin guidance, as they were sort of expecting quite a rapid tipping point for cloud services over the next few years. I think they probably only get about as much revenue as you guys do from cloud at the moment, but I was expecting that to move to 15% to 20% in the next couple of years.

I am just wondering what you are anticipating in terms of that transition of the Brazilian SME and corporate clients to cloud delivery of the next couple of years and what that might mean to profits, again in the context of your guided margins? That would be very helpful. Thank you.

Gilsomar Maia:

Thank you, Richard, for the question. I understand your question when you take SAP actions in the short term. In my view, we have different scenarios and situations here between TOTVS and SAP.

In our case, the main investments are more oriented to this kind of specialization, more segmentation by industry sector. We have in cloud this one element in our strategy related to, in our view, more structure. The way you deliver, you deploy a solution we develop.

We understand that we have to address the necessities of our customers independent if they use a solution completely on premise, or partially in the cloud, on completely in the cloud. Cloud for us means more infrastructure.

I know that some players are making some huge investments in terms of infrastructure to provide cloud services. That is not our case at this moment. We have a small data center, adaptable for the reality of our customers, small- and mid-size customers, some mid- to high-end customers as well, but our main efforts are more related to our technology platform and the application, the management solutions, really. And those applications and platforms are very hybrid solutions, because they can interact on premises and cloud solution simultaneously. I would not drive you analysts and investors to see the increase of our investment just related to cloud. It is much more than that.

In terms of return, as I responded to Michel Morin and Andrew previously, we really see those actions in terms of our structure as costs, and consequently we have to see return from those investments, and the return has to be converted into sales, and consequently we can dilute those investments throughout time.

I do not if I addressed properly your questions. If not, you can please complement it.

Richard Dineen:

That is really helpful, thank you very much. Maybe just one quick follow-up if I may, and apology if I missed your comments on this in the prepared remarks, but you talked about the wage renegotiations in the 4Q in certain states. I am just wondering if you might give us an idea of any upcoming bargaining agreements with the unions in other states that might kind of come up in the next year? Any sort of guidance on that would be helpful.

Gilsomar Maia:

Unfortunately it is hard for me to provide you a guidance related to that. Maybe historicals can help you in this sense. Every 1Q and 4Q we disclose on our earnings release the percentage coming out from those negotiations, and you can compare historically how the negotiations in São Paulo, for example, behaves comparing to others.

This negotiation is really in course, and at this moment I would not feel comfortable to comment this negotiation, because it is a collective negotiation. It does not involve only TOTVS, it is a regional negotiation involving technology companies and unions of professionals from the technology sector. It is really a collective negotiation and it is hard to give you guidance speaking only about TOTVS.

But really, we are working conservatively for 2014, still with a scenario of resilient inflation in this year. We should not consider a different scenario. For those that follow us longer, they know that our business model is also the sensitive business model in the mid and long term in terms of inflation, because we have instruments to pass-through inflation in our revenue lines. We have maintenance contracts automatically adjusted by inflation, services team adjusted, specially the hourly rates, when we have costs being adjusted in terms of personnel, and license is more commercial dynamic in the market. So, we have to follow the license in accordance with the dynamics of commercial negotiations.

Richard Dineen:

OK, thanks. That is great. Many thanks indeed.

Michel Morin, Morgan Stanley:

Thanks for the follow up. You gave additional disclosure this quarter, so we thank you for that. Specifically on the revenue by industry, I thought that was very helpful indeed. I guess the key question I would have there is, when you look at some of those verticals and the growth rates year on year, was there any trend during the year that you think was notable that you would be willing to share with us? Specifically, I am wondering whether or not the manufacturing segment, your largest one, which grew 4.5%, whether or not you saw any hiccup in activity during the year, that would be helpful. Thank you.

Gilsomar Maia:

Michel, really it was a demand from you and investors and analysts, this kind of breakdown, and we tried to show both things, the relevance of those sectors in terms of our revenue, and the growth they are presenting in this period.

It is hard to comment the population of the sectors throughout the year, because really we cannot completely control the negotiation process, the decision process on the customer side, they are very different depending on the reality of the customer. There is no clear seasonality or behavior that we can identify and say, “look, at that specific moment of the year that industry is more active or not”.

Of course there are certain sectors that are notable for everyone, like retail, when they are close to the end of the year, in Christmas time, they are not so active in terms of investment, specially related to infrastructure. Some seasonality typically regarded to those industries. But, besides that, there is no one specific thing that I can tell you. So, the dynamic of the year…

Michel Morin:

Maia, sorry, I was talking in terms of the year-on-year growth rates basically, so there would be no seasonality if you think about it on year-on-year. And the reason why I am asking the question is because, given that the Real has weakened during the year, given that the manufacturing part of the economy may be more sensitive to the currency and maybe more willing to invest when export markets open up, thanks to a weaker currency, I am wondering if perhaps you started the year with your manufacturing clients spending less year on year, and you closed the year maybe up 10%, such that the average was 5% for the year. That is really what I was trying to understand, if there was any change in any of the verticals, really, but that one in particular. But that is fine if you do not have this handy.

Gilsomar Maia:

When we talk about manufacturing, there are guys within manufacturing more or less effected by exchange currency rate. I understand your point, but it is really hard to give you more details on that at this moment.

Michel Morin:

OK. That is fine, Maia. Thank you.

Operator:

This concludes today’s question and answer session. I would like to invite Mr. Laércio Consentino to proceed with his closing statements. Please go ahead, Sir.

Laércio Consentino:

Thanks everyone for joining our conference. I would like to say that we will not waste a single minute of 2014. The kickoff of 2014 is done, and all TOTVS are working in our goals. We have more than 12 thousand people, including our franchisees, aware of the matters that we just discussed and completely focused on pursuing our goals.

I wish a great year for everyone. Thank you very much.

Operator:

Thank you. TOTVS' 4Q results conference call is now over. Have a nice day.